



TAX INFORMATION MEMORANDUM

9 Feb 2011

01-11

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Subj: IRS to Start Processing Delayed Returns on Feb. 14, Health Care Professionals Can Exclude Canceled Student Loan Debt from Income, List of VITA/ELF Centers Available Online

1. IRS to start processing delayed returns on Feb. 14.

In TIM 06-10, we informed you that the Internal Revenue Service (IRS) needed time to update forms and tax software due to the passage of the Tax Relief, Unemployment Insurance Reauthorization and the Job Creation Act of 2010 on December 17, 2010. This resulted in a filing delay for taxpayers claiming itemized deductions on Schedule A, taxpayers claiming the Higher Education Tuition and Fees Deduction and taxpayers claiming the Educator Expense Deduction.

The IRS plans to start processing these delayed returns on Feb. 14, 2011 at 1100 EST.

2. Health care professionals can exclude canceled student loan debt from income.

As you know from previous TIMs, the general rule for cancellation of debt is that taxpayers must include canceled debt as income on their federal tax returns. One exception to that rule is for health care professionals who receive loan forgiveness under certain programs. Prior to 2010, the exception applied only to those health care professionals who received loan forgiveness under the National Health Service Corps Loan Repayment Program or from state repayment programs eligible for funding under the Public Health Service Act. The Affordable Care Act of 2010 expanded the exception to cover any state loan repayment or forgiveness programs intended to increase the availability of health care services in underserved or "health professional shortage" areas. This exception is also retroactive to the 2009 tax year.

Those health care professionals who reported income from cancellation of debt on their 2009 tax returns due to their participation in one of the now-excepted programs may be due refunds. These individuals are advised to first consult their state loan program offices to determine if their program is covered, and then file a Form 1040X to receive a refund for loan repayment or cancellation that they previously reported as income in 2009.

3. 2011 U.S. Navy VITA/ELF Centers available online. New this year, a list of 2011 U.S. Navy Volunteer Income Tax Assistance (VITA) Program/Electronic Filing (ELF) centers is now available online by accessing the U.S. Navy JAG website at: http://www.jag.navy.mil/organization/code_16_tax_info.htm.

4. Points of contact. For questions or comments about this TIM, or if you have information you would like us to make available to your LA colleagues, please contact the Code 16 team. Our contact information is in the sidebar.